CONTRACTS BETWEEN STEAMSHIP LINES AND SHIPPERS

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From the earliest days, the carriage of freight by vessels operating from one country to another was covered by contracts whereby the carriers agreed to perform a definite service in return for a stipulated compensation, and in default of which they would become liable for damages. Freight contracts have always been essential for the protection of the respective parties interested in the transactions. As trade increased, and a greater and greater variety of goods was transported by water, conditions in the contracts governing the carriage of the freight necessarily had to be properly adapted to protect the rights of the several interests. It is the purpose of this article to outline the different types of contracts now in use, and the discussion will relate to (1) contracts made by individual members of steamship conferences, (2) joint contracts made by steamship conferences as a whole, (3) contracts fixing rates in accordance with the volume of shipments, and (4) forms of contracts used.

Contracts made by Individual Members of Steamship Conferences

There are many ports now served by fast steamers with frequent sailings whose early pioneering exporters found their needs catered to by only occasional sailings, dependent upon the rapidity, in the main, with which a cargo could be gathered together that would warrant the owner in making the voyage. The growth of trade in time justified more frequent sailings on the part of the steamship company. This naturally attracted other steamship owners, who viewed the opportunity as an opening for a part of their tonnage, with the usual result that a rate war ensued, that irregularity of service occurred, and that the trade was demoralized to such an extent as adversely to affect the interests of all parties concerned.

To avoid destructive results of unrestricted competition, it became evident to the rival steamship interests in the various trades

that some method must be devised whereby fair rates would be obtainable and regularity of sailings permanently maintained. Experience also taught shippers that rates were not the only factor of vital importance in seeking to build up their foreign market, but that the receiver of the goods could not build up a trade and make it permanent unless regular delivery of goods could be counted on. It therefore became evident that regular sailings were to the mutual interest of both shippers and consignees. Irregular sailings, it was found, too frequently resulted in similar goods being forwarded on vessels sailing at the same time and arriving at about the same time at final destination, thus flooding the market to the injury of the consignees, creating such dissatisfaction as to produce a tendency, which was often carried into effect, of curtailing orders for merchandise which was subject to the disadvantages of an ocean service operating under no fixed rules as to rates and sailings.

To remedy the aforementioned conditions, conference arrangements were generally entered into by the lines. Through such coöperative arrangements, the necessities of the trades could be best considered. The type of steamers best adapted to forward freight economically could be secured, and, instead of competitive lines sailing steamers at or about the same time, the steamer of one line was immediately put on the berth following the dispatch of the previous steamer. This rotation of sailings greatly serves to enable goods to move with a minimum of expense and is instrumental in eliminating various factors in the cost of distribution, such as delay in transportation, storage charges, truckage charges, extra insurance, and cost of rehandling.

But, while the various competing interests were brought into harmony of action through agreements and conferences, it remains to be said that each interest still has its natural pride in the development of traffic along its own lines of policy. Each individual steamship line has its own policy for the development of its business, its own staff for the handling of it, its own way for caring for freight, and, it may be said, its own attitude to shippers; and the success with which it provides these adjuncts of the ocean freighting business serves to give it a reputation which, if long and favorably established, becomes a kind of trade-mark and gives a value denominated as "good will." From this it follows that it proved in many instances agreeable to have shippers follow their preference as to the steam-

ship lines they desired to enter into contract with. Accordingly, one method of contracting is to have each line make its own contract with shippers—the contract being open to small and large shippers alike, irrespective of the volume of shipments—and assume liability for its fulfilment. In this type of contract, it is usually stipulated that the shipper will furnish his entire shipments to the contracting line during a stated period, and in return is assured of an ample tonnage by the line at definite rates. But while under this plan each line individually contracts with shippers, the line when necessary may designate some other line's steamer to carry the goods as per the terms of the contract. If, for any reason, goods should fail to be delivered to the steamer to which the contract applies, the steamer agents simply transfer the contract to the next succeeding steamer, a method of forwarding that has almost the simplicity of carriage by rail, and the wonderful efficacy of the latter has been one of the most potent factors in the development of the agricultural as well as the mining and manufacturing industries of the United States.

Joint Contracts Made by the Conference

Instead of being made with the individual members of a conference, contracts are often entered into by shippers with the conference lines as a whole, *i.e.*, the contracts are "joint contracts." In some instances conference lines pursue a policy of making both joint and individual contracts with shippers, the individual contracts usually being those which cover the shorter periods, such as a few months, while the joint contracts either cover the longer periods or relate to traffic arrangements with shippers which involve the handling of a large volume of freight.

Briefly described, joint contracts instead of being made by each line in the conference on its own responsibility and for its own steamers, are made for the joint account of all the lines belonging to the conference. The shipper usually undertakes to confine his shipment to conference lines, and the lines in turn agree to furnish tonnage at regular intervals, the freight moving forward on any of the conference line steamers as it is tendered from time to time. While rates which are less than the regular tariff rates are usually granted by such contracts, it is generally the policy of the lines to contract with all shippers, large or small, on the same terms.

In the case of large shipments joint contracts have their advantages both from the shippers' standpoint as well as from the standpoint of the individual steamship line which is a member of the conference. There are occasions where the volume of freight to be carried is so great that its proper distribution among the conference lines, to avoid freight congestion, makes it of importance that joint consideration of the freight carrying obligation be given, thus avoiding difficulties that may arise and often do arise where a very large freight tonnage is contracted for by one company. By assuming joint liability under such contracts the conference lines make it possible for exporters of the United States not only to have their goods forwarded promptly at all times, but to enable them to advise consignees definitely when they may expect the receipt of freight.

Should Equal Rates be Charged All Shippers Irrespective of the Volume of Freight Offered?

In the ordinary course of general trade it has been rightly assumed that the purchaser of a large quantity of goods is entitled to a lower price than the buyer of a small quantity. This principle of business runs through all lines of manufacturing, mining, merchandising and the marketing of the products of the farm. The volume of the merchandise offered for sale materially affects prices for both immediate and future delivery. It would appear therefore that there is a right, almost having the force of a natural law, in favor of the large purchaser to buy at a lower price range than can the smaller buyer.

That this doctrine is altogether sound when applied to transportation has been brought into question by the Hepburn law which provides that freight shall be paid at rates published and established for all, the rates being the same to all shippers—large or small—for a similar service involving like commodities. The elimination of the same and purchase of freight room on what may be termed the "shopping" basis on railroads placed the making of rates more in line with the governing idea in the minds of those who were instrumental in granting charters in the early days. The rapid development of the railroads and their daring invasion into new and undeveloped sections of the country were followed by the hit-or-miss system of rate adjustment incidental to a development which was largely either a feast or a famine.

Not many years ago grain and cattle formed the bulk of the freight on which western railroads depended. In banner years of production they had more than they could handle, and roads not particularly well situated to handle the freight economically or quickly sought to share in the traffic, and of necessity were obliged to offer greater inducements than the rate charged by the more direct routes. In the course of years, this practice became and was acknowledged a gigantic evil. It spread from the products of the farm to the products of the factory, and the large shipper grew larger, while the smaller one found his immediate market invaded. Not having the power to offer freight in volume sufficiently large to secure correspondingly low rates of freight to allow him in return to invade the market of his larger competitor, he was generally eliminated under the stress of such unnatural competition. If he survived, it was generally due to the superiority of his goods and the long established market for the same, coupled with the closest economy of operation.

It was fast demonstrated that this principle of charging a lower rate on a larger quantity of freight than on a smaller was unsound in principle when applied to transportation by rail. The carrier had nothing to sell but freight room (discussion of the passenger business is eliminated as having no bearing on freights) and its market for its freight room was limited to the length of its own lines. The shipper, however, was confined to no specific territory. Given low enough rates, his markets could be indefinitely extended. With their extension an increase in the volume of freight naturally followed, which in turn gave an additional power to influence the carriers in the granting of favorable transportation rates, thus further tending to the elimination of competition. So manifest had these evils become that when it was proposed effectively to end them by legislation, which was accomplished by what is known as the Hepburn act, it was accepted as a measure of justice in harmony with the highest ethics of business and in keeping with the principle of equal opportunities to all.

In water transportation rate discrimination in favor of the large shipper has not been fully done away with, and it is quite possible that to do so is not altogether feasible. There are lines of freight, such as grain, which at times offer in such quantities that the very immensity of the tonnage forces water freight upwards. Perhaps

in no other line of trade, as in water transportation, is the working of the law of supply and demand so clearly seen. Given large crops of grain, for instance, in one section of the world and a shortage in another, an inevitable rise in the freight rate will follow and attract tonnage as surely as will the magnet attract steel. Grain was used as our illustration but ore or coal will be equally as effective in advancing rates under the stimulus of demand. These latter two commodities play almost as prominent a part in the world of shipping today as does grain, and are almost if not fully as effective in influencing the freight markets of the world. It is also to be kept in mind that the manufactured goods made from these raw products originate in various sections of the United States and that their final destination is as far apart as the countries of the Baltic and the Far East.

The cable and the wireless telegraph have brought the distant sections of the world closer together than were Europe and America in the first half of the last century. The telephone and the telegraph have almost obliterated distance in our domestic commerce. The double tracking of railroad systems and the building of powerful engines, the increase in the car equipment of the railroads and the equipment for special lines of freight have all tended to change the methods of business. The purchaser instead of ordering in large volume for the purpose of stocking up, which was considered necessary in former days when communication was neither rapid nor regular, now orders in smaller quantities and more frequently. The time that was required, even as late as two decades ago, to make delivery of goods from an interior point in the United States to a European port provoked no protest nor particular comment. Today the demands of the shippers call for an almost steady movement of goods from point of shipment to final destination. This development has tended to induce shippers to examine more closely the consumptive capacity of the markets to which they cater, and to enter into arrangements whereby they may enable themselves to serve their foreign customers for periods covering several months in the future.

To keep fairly and effectively the foreign market equally open to the manufacturers of the United States who make similar goods, it seems necessary and logical to establish equal rates to shippers, small or large. This seems ethical and logical for, unless the small

merchant receives as low rates as his larger competitor the market for his goods is limited if not destroyed. To do otherwise would, from the standpoint of commercial development, prove injurious to the country at large. The small manufacturer may make a superior line of goods, and because of a variety of factors which enter into the cost of production he may be able on many if not most lines to compete with the larger producers. Such competition makes for a surer and a more general distribution of merchandise, diffuses a more general prosperity and enables the country to secure a firmer hold on the trade with foreign countries.

The principle of equal rates to large and small shippers is gradually being recognized in ocean transportation, and the advent of large and fast steamers has forced attention to the justice of the principle. It is being recognized that it is even more necessary to the welfare of nations that are greater factors in the export trade than in their domestic commerce. In an emergency, and of course this is applicable to limited areas only, the manufacturer of this day can avail himself of the modern gasoline truck, if the railroad on which he depended to move the freight is without the necessary equipment. But this is not the case with goods destined for overseas markets. Moreover, the small manufacturer seeking a foreign outlet for his goods cannot economically charter boats, and the steadily growing size of the ocean freighter makes it practically impossible for any save the very largest shipper to enter the freight market and engage tonnage on his own account. The modern forces behind trade development demand regular and rapid service on water as well as on land, and it is being demonstrated that the equal rate principle to large and small shippers of like commodities is as just and equitable when freight is water-borne as it is when carried by rail.

Contract Rates Based on the Volume of Shipments

Fundamentally the question of contract rates based on volume of shipment is: What is the lowest rate obtainable by contract for a cargo which will fill one or more vessels? There are many factors to be taken into consideration in such undertakings. The ocean freighting of the world has vastly increased in recent years, and the sailing vessel for even long-distance voyages has become almost obsolete. Steamers at present often encircle the globe, frequently engaging in port-to-port voyages while on long-distance trips, out-

ward or homeward bound. The opening of the Suez Canal brought new conditions into the ocean freight market, and the opening of the Panama Canal promises further evolution, if not revolution, which will affect shippers and vessel owners alike.

The unparalleled development of the commerce of the world has rapidly altered the freight trading basis. More rapid communication between far-distant nations, such as the fast steamships of today have established, has brought about a rapid increase in the interchange of trade between widely separated nations. Improved communication invariably causes the resources of outlying nations to be investigated. If development is believed to be possible, capital follows, a market is found for the product, the steamship is on hand to aid in the marketing, and, if success meets the initial venture, a broad opportunity for a greater market is placed before the merchants.

Grain, cotton and oil, and more recently, iron, steel and coal have been exported in such immense quantities that much of the traffic must depend on chartered vessels, or on vessels owned by the corporations that are also shippers of one or more of the articles enumerated. Wheat and corn are the two grain products which frequently overflow the capacity of the regular line tonnage. When such proves to be the case, so-called tramp steamers, which ply in no regular trade and are usually open for charter to any well-known port on terms mutually satisfactory to the shipper of cargo and the owners of the vessel, are depended on for the ocean carriage of the goods. It not infrequently happens that shippers of so-called full grain cargoes pay a higher rate for the charter of the ship than is asked by the regular line steamer for lesser quantities, a fact attributable in a measure to the "fluidity" which attaches to grain as an article of export.

When ample supplies of grain are supplemented by urgent demand, the movement seeks no particular route, but seeks the various ports of the seaboard because it is attracted thereto by freight rates which rise or fall with the urgency of the demand for cargo space. Frequently such movements of grain to foreign markets have ended in excessive speculation in ocean tonnage, resulting disastrously to all interests concerned and hampering the steady and profitable growth of a business which is best served when not disturbed by violent price quotations.

The modern development of steamship lines has tended to greater stability in rates for the ocean haul. The various lines operating from our ports to foreign shores have increased the number of their steamers, and the frequency of their sailings. The vessels are also of great cargo capacity and can handle an exportable surplus of grain today that would have required a vast fleet of tramp vessels to aid the regular line fleets of earlier days.

Stability in rates has always been desired by a great majority of shippers, since it makes possible the orderly development of business. The element of speculation is reduced to a minimum, and the produce flows from the original producer of the grain to the final consumer in a steady current that avoids waste, minimizes expenses, and tends to develop the volume of business to its utmost limits. This feature of grain shipments by regular line tonnage is illustrated by the small percentage of grain carried by outside vessels in recent years. Grain is still possibly one of the most difficult articles of export to handle successfully. Yet it is probable that in a few years the carriage of grain for export will be confined to the regular lines, and that long-time or season contracts may be found to be possible. Or it may be possible to establish a rate basis that will permit of the easy transfer of our surplus grain to foreign buyers with results mutually satisfactory to all.

The terms of the sale and purchase of grain have come down to us from the past. The uncertainty of delivery in the early days of ocean transportation was compensated for by various agreements and provisions which provided for penalties in case of failure to carry out the contract as entered into. In the main the contract for the ocean forwarding of grain is similar to the one governing the shipment of flour, *i.e.*, the contract may provide for shipment by a specific steamer either for loading during the first half or last half of month or for loading during a specific month. The contract covering a full cargo of grain usually consists of the charter of a special steamer, the charter party of the vessel providing the terms and conditions under which the grain is carried.

One of the nation's leading commodities of export is oil, crude and refined. For the shipment of crude oil tank steamers have been provided, and many of the oil companies own large fleets. Owing to the nature of crude oil, its movement by water is practically confined to vessels specially adapted to its carriage, and while there are

steamers that may be had on charter, the great bulk of this commodity is forwarded in vessels owned by the oil companies. Refined oil finds a market in almost every quarter of the globe and is a desirable line of freight for vessels loading with miscellaneous cargo. While it moves in sufficient volume at times to give full cargo for many ships, it also offers in lesser quantities and becomes "part" cargo. In this way it becomes a desirable article of freight since it usually moves in such bulk, even as part cargo, that tonnage is not obliged to await the massing together of sufficient other cargo to fill the vessel properly. On account of the volume of business done, the excellence of its packing and the shape of the packages, refined oil lends itself as a commodity peculiarly valuable in long-time ocean contracts.

Owing to the volume in which refined oil moves to foreign points, the charter market may be taken advantage of by the refiners to secure tonnage on terms that best suit them. It does not always follow that the rate paid for such tonnage is lower than may be secured from regular line steamers calling at ports at which the chartered tonnage will be loaded. It is quite possible also that the ship of the regular line has had to sail without all space being filled, which the oil shipments would have well cared for, thus occasioning loss to the ship. Very often delay is experienced beyond the advised sailing date, with the result that consignees of other goods are to some extent injured, and that the export trade as a whole suffers somewhat as compared with that of nations whose freighting arrangements are on a fixed basis with definite sailing schedules. It seems reasonable to believe that where it is possible to enter into long-time freight contracts, they would be of marked value to shippers, consignees and owners of steamers engaged in the carrying trade to regular ports of call. To the shipper such contracts give a stable freight rate, to the ship an assurance of a regular supply of freight, and to consignees regular deliveries. The growth of exports under such conditions is sure to be steady, and a highly valued reputation is won by the exporters of a country who can serve foreign markets under such stable freighting conditions. It would seem, therefore, to be quite desirable that such articles as refined petroleum should be subject to contract for extended periods.

Coal is now beginning to be one of our products that is assuming great proportions in foreign trade. So far it has almost altogether

been carried in steamers specially chartered for the purpose. It is possible with a better knowledge of its qualities and the standards established for it, coal may become a constant and regular article of export, lending itself to the upbuilding of trade with the steamship lines interested in carrying miscellaneous cargo. At its present stage in the export trade, contract rates are based on the volume offered, the time of shipment and the conditions of the freight market.

What was said of coal may also be said of ore, although it must be remembered that ore is chiefly imported and not exported. This commodity has been in the main subject to long-time contracts, and under them the volume of business has steadily increased and the area from which supplies are drawn has been greatly extended.

Cotton is another commodity that swells the volume and value of our export traffic. The great size of the freight steamers now operated by many of the regular lines, makes them peculiarly adapted to the handling of cotton, and possibly the increasing number of steamers with their immense capacity may eventually permit so bulky a line of freight as cotton to move under season contract at fixed rates. The increase in the crop of cotton has fairly kept pace with the increased size of ships, and the supply of export cotton is beyond the capacity of the regular line ships to handle. This commodity, therefore, has still to depend on the number of tramp steamers open for charter, with the usual rate fluctuations incidental to the abundance or scarcity of tonnage.

Two items have become the subject of long-time contracts in recent years, viz., provisions, consisting of barrelled beef, boxed bacon and lard in packages, and cottonseed oil in barrels. Some years ago these two commodities were contracted for on a competitive basis, the lowest rate the shipper could secure being the strongest inducement for the placing of the business. Service was a secondary factor, and the importance of regular and frequent sailings was not fully understood. The rate factor so thoroughly overshadowed the importance of regular deliveries that it was difficult to secure consideration for the many advantages that accrue to both seller and foreign buyer when goods sail on the specific dates for which they were ordered. Eventually short-time contracts were entered into which were followed by contracts for longer and longer periods of time at agreed rates. The success following the operation of these two lines of trade under the long-time contract

system would serve to indicate that the advantages of doing business on such lines could be advantageously secured in other directions.

Agricultural implements and steel and iron for foreign markets constitute a vast tonnage which is steadily expanding. The rate of freight on this material is an important factor to the management of the large supplying corporations. The immensity of their shipments has a distinct influence on the freight market, and frequently creates disturbances which affect other shippers of similar lines, and of other lines as well. The power inherent in the volume of the tonnage allows charters to be made on a favorable basis, and if necessary the general freight market may be invaded in competition with the existing steamship lines. When a corporation has such a quantity of freight that it can load one or more vessels with its own cargo for a single port it becomes a factor with great potential power over rates on various commodities to that port. For itself it is assured the lowest market rate, or it may force a competition in rates that is detrimental both to the interests of shippers and the lines that operate regularly in the route. In the latter case a rate war may follow, which may possibly result in the withdrawal of steamers that are serving all shippers alike, thus compelling the trade to depend on the more or less sporadic sailings resulting from such conditions.

Where transportation becomes an adjunct to manufacturing enterprises, which it does in ocean carrying just as soon as shippers possess enough freight of their own to enable them to load and charter on their own account, only the immediate effect is too frequently given consideration. The shipper of cargoes secures what he regards as a satisfactory rate for his wares, while its effect on the general freight market and on the welfare of the export trade as a whole, if it awakens his interest at all, merely lends thought to the impression that he is in a better position than his competitors to control the market for his goods. Yet it is more than doubtful if such a view is sound. There is scarcely any great line of manufactures that does not carry in its train many subsidiary articles manufactured by various concerns. Delivery at the proper time is quite in the interest of all. Such delivery can be satisfactory only when steamers sail frequently and regularly, and this can be assured only when the steamship line enjoys support in the fullest degree from all interested shippers in the trade of a particular port or country.

Ocean transportation lines are engaged in the business of freighting, and fair and equitable rates are the best basis on which success may be predicated. Only on the basis of fair and equitable rates may regular and frequent communication be built up. The volume of cargo controlled by great shippers is, as we have seen, an important adjunct in the upbuilding of such a regular service. While a great portion of the shipments must necessarily be hurried to market, it has been found to be the case when bookings have been made covering such big lines of freight as agricultural machinery necessitating their being forwarded at certain times to reach the consuming markets, that, where service was arranged in connection with regular lines a wider latitude of time in which to ship was possible, and the necessity of "bunching" freight to make full cargo loading was avoided. There are other great lines of freight in which these factors come into play, and the advantage of long-time contracts based on the volume of shipments would seem to be the next step in the evolution of freighting in our export trade.

Forms of Contracts used Between Shippers and Steamship Companies

Contracts entered into between shippers and steamship companies for the carriage of goods cover a wide range. The different classes of goods exported to foreign countries are as a rule sold subject to many varying contingencies. Conditions are therefore stipulated by the buyer of many lines of goods as to the time the property must clear from the seaboard, meaning the period during which the ship has loaded and the time it enters on the voyage. Another condition that is often stipulated is the time the goods must start from the point of shipment in the interior of the United States. Still other conditions of purchase provide for the loading of the property in a certain month, or for its acceptance for a certain steamer, the name of which is given together with the date on which it is expected to enter on the voyage. Other contracts provide for delivery at destination at certain periods, or refer to port charges, lighterage, or forwarding by rail from the port of delivery to still more distant points.

All these factors enter into the making of contracts for the delivery of goods in foreign markets, and they are of the utmost importance since failure to give them their proper consideration frequently entails heavy loss to the interested parties; because the

seller of American goods for export is several thousand miles away from the foreign receiver, and the latter is obliged to pay charges as noted on the bills of lading in order to get possession of the property consigned.

The consignee, the party to whom the goods are addressed, has no knowledge, as a rule, of the kind of contract the seller entered into for the through carriage of the goods. The property may not have gotten away from the seaboard on a steamer sailing at a date counted on by the receiver, or the goods may come to market too early, in either case causing storage charges to arise. The goods come too late and arrive on a depressed market instead of a high and profitable one as the buyer counted on. The foreign buyer very frequently sells to customers smaller parts of his purchase and agrees to make delivery at a particular time. A departure therefore from the contract governing the sale of the goods, which arises from a default whereby the ocean carrier fails in its performance, sets in motion a train of resulting evils that affect a great many more than those who are immediately shown to be the interested parties. It is therefore very essential that the shipper should first perform his part of the contract and see to it that the goods move from the point of shipment in accordance with the terms of the sale. It is most necessary that the goods arrive at the loading port in ample time to enable the ocean carrier to complete its part of the contract. It may be pertinent now to touch on this phase of the movement of goods under contract.

To those not in immediate contact with shipping, the loading of a steamer is about as well known as the fourth dimension. To the public in general a ship means a ship; it is known of course that some ships are larger than others, as are some cars larger than others, but the shipper of each individual line of goods specializes on a knowledge of his own commodity and has only a vague idea of the other lines of merchandise that may accompany his freight to the foreign markets of the world. For this reason it is essential that goods be at seaboard in ample time to enable their proper arrangement for loading purposes.

Many classes of goods go to make up the cargo of a ship in modern days. The United States has not yet ceased to be an exporter of cereals and their products, but these have ceased to be the only important factor. A vast miscellaneous assortment of goods now go to make up the cargo of the vessels sailing to other coun-

tries. Everything from hardware to locomotives, from coal to oil and timber, and from cereals and their products to meat and meat products packed in various forms, make up the cargo for the steamer of today that loads in our ports. It is also to be noted that the size of the steamer has vastly increased while the time given to load it has not been extended. Instead, it has actually been reduced because most steamers now arriving at our ports come loaded with inward cargo and this must be taken out, yet it is sought to make the time for loading and discharging no longer than it formerly took for loading alone.

The economic reason for such speed is found in the fact that the terminal facilities of various ports have been greatly outgrown. Vast expenditures have been made in the way of new docks and such improvements must be paid for in the end by the commerce that is handled, unless the improvements permit of a sufficiently greater volume of merchandising to be handled within a period of time, not longer than was found necessary prior to the new standards, so as to bring about a reduction in operating expenses. Generally speaking, freight can be carried for a lesser cost on a larger steamer than on a smaller one, and the cost of operation on a large vessel does not proportionately increase with its increased size to the same extent as is the case with a smaller one. There is more room in the large ship, as compared with the smaller, based on the deadweight carrying capacity of both. For these reasons the modern steamer is one of great tonnage, and is of a type that is excellently adapted to carry miscellaneous cargoes at reasonable rates. But these types of carriers must be loaded expeditiously if they are to operate economically, and it is most essential that they operate economically in order that ocean rates be kept at a reasonable level.

It is thus easily understood why it is necessary that goods should be ready for the modern steamer in ample time to enable the proper arrangement of the various classes of cargo destined for shipment. It should also be clear why it is that the terms of contracts for the carriage of ocean freight play so important a part in the flow of commerce. The ship may and very often does carry the same kind of cargo from several different shippers. These parcels are quite often split in different sized shipments, and the contracts governing the ocean carriage may have as many different conditions as there are parcels, all of which conditions must be taken into consideration in making up the cargo that is to be forwarded.

The contracts, entered into between shippers and the steamship lines and governing the movement of freight from the seaboard, are of varying character. In the case of flour shipments the contract for the ocean haul states the time the shipment will leave the interior, the point of loading and the time when the steamship is to load and clear it from the seaboard. But this latter agreement on the part of the steamship company differs radically. Thus with reference to the time of shipment from the interior, the contract for the carriage of flour for export may stipulate for shipment immediately, or within a particular month, or within thirty days, three months or six months from the West, or within any other period which the shipper and the ocean line may agree upon. Again, with reference to the time of shipment from the seaboard the contract may stipulate such shipment for a specific steamer (the name of the steamer being stated in the contract), or for shipment thirty days after arrival, or for shipment by the first steamer after arrival at seaboard. As flour is moved almost altogether on what is termed a through bill of lading, which is issued by the inland railroad in connection with the ocean carrier and provides for delivery at a foreign port, the time of shipment from the interior is stated in the contract, the various periods named as the time of shipment from the interior being based on the date of the contract.

The conditions which govern the shipment of flour also practically govern the movement of grain products, with the important exception, as a rule, of linseed oilcake. This product is one of the important articles of export from the United States and the terms on which it is sold are of a different nature than govern the sales of flour and grain products. Sales of this product are based on clearances from the seaboard for a specific steamer (the name of the steamer being given) either for shipment for the first half or last half of some specific month, or for shipment in a specific month, or for shipment in lots of a specific number of tons in each of several specific months. These conditions of clearance are met on the part of steamship companies by stipulations as to when the property shall be at seaboard ready for delivery to the steamer. This precaution on the part of the steamship owners is necessary in order that they may be in position readily to carry out the contracts as entered into; because frequently the failure of the goods to clear as specified by the terms of the contracts may involve heavy losses

to the receivers who have based their sales, following the purchase from exporters, upon certain specified conditions.

There are many firms that are heavy shippers of goods of a miscellaneous character. Many of these are commission merchants, located at ports on the Atlantic coast and principally at New York, who make purchases on behalf of foreign correspondents. The goods are bought from manufacturers and dealers all over the United States and accumulated at the port of shipment. It is their purpose to gather these goods and forward them in full consignments in accordance with the order as received from the foreign buyer. The ocean carriage for these shipments is usually so arranged as to have the goods forwarded on a steamer sailing at some designated time, and the goods are carried forward usually on a measurement rate, *i.e.*, a rate based on the cubic ton. Such contracts may be for a special sailing or for a longer or shorter period as circumstances dictate.

In various trades freight is offered in full cargo lots, a full cargo usually meaning one kind of cargo of sufficient amount to fill the cargo space of a vessel. Such lines of freight as move in cargo lots consist in the main of petroleum, coal, ore, grain, sugar and lumber, but may also consist of miscellaneous cargo of an amount sufficient to load a steamer to its full capacity.

Contracts covering the movement of freight in cargo lots are usually covered by what are known as charter parties. For the different commodities different forms of charter parties are used. The customs of the trade, and the conditions of loading and discharging vessels vary in the different ports, and the unit on which freight charges are based also differs. In addition there are many conditions affecting the rights and responsibilities of the shippers, the owners of the vessels, and the charterers, which are as far as possible incorporated in the charter parties to the end that all parties in interest may have defined therein the obligations entailed on them by virtue of the contract they have assumed.

There is also a form of charter party which governs the hire of a vessel for a longer or shorter period as may be agreed upon. Such a charter party is known as "time charter," and differs from the usual run of charter parties in that it makes provision for the payment of a certain amount of money for the use of the ship during a specified period of time such as a month, two months, six months or even longer as may be agreed upon. It is not unusual for time charters to be entered upon for a period covering years.